# LEGISLATIVE SERVICES AGENCY
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## FISCAL IMPACT STATEMENT

**LS 6606** | **NOTE PREPARED:** Feb 18, 2004
**BILL NUMBER:** HB 1005 | **BILL AMENDED:** Feb 17, 2004

**SUBJECT:** Property Tax Benefits.

**FIRST AUTHOR:** Rep. Reske | **BILL STATUS:** 2nd Reading - 2nd House
**FIRST SPONSOR:** Sen. Kenley

**FUNDS AFFECTED:** X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

**Summary of Legislation:** (Amended) With respect to a residential real property financing or refinancing, this bill requires a closing agent to provide to each customer information on property tax deductions and the homestead credit on a form prescribed by the Department of Local Government Finance (DLGF). The bill imposes a penalty on a closing agent that does not comply. It provides that a closing agent is not liable for any other damages claimed by a customer because of closing agent's failure to provide the appropriate document to the customer. It provides for additional information about property taxes to be provided with the property tax statement of current and delinquent taxes and special assessments in a pilot program in 2005 and statewide in 2006 and statewide after 2006. The bill permits a county to voluntarily provide the additional information about property taxes with property tax statements in 2004. This bill also provides for state reimbursement of expenditures made by a county to provide the additional information, not to exceed a statewide total of $50,000. It also establishes the Local Government Finance Study Commission.

**Effective Date:** Upon passage; July 1, 2004.

**Explanation of State Expenditures:**

*Pilot Program for Distributing Property Tax Information.* Before July 1, 2004, the DLGF must designate five counties to participate in a pilot program to distribute property tax information (See *Explanation of Local Expenditures*.) The DLGF must immediately notify the county treasurer, county auditor, and county assessor in writing of this designation. The legislative body of a county not designated for participation in the pilot program may adopt an ordinance to implement the program. The legislative body must submit a copy of the ordinance to the DLGF, which must monitor the county's implementation as if the county were a participant in the pilot program. These provisions should not have a significant impact on the DLGF.

*Providing Information on Property Tax Benefits.* Before June 30, 2004, the DLGF must prescribe the form to be provided by a closing agent to customers. The DLGF must make the form available to closing agents, county assessors, county auditors, and county treasurers in hard copy and electronic form. This provision will increase administrative expenses for the DLGF. It is presumed that the DLGF will be able to absorb any additional administrative expenses.

The state agency that has administrative jurisdiction over a closing agent must examine closing agents to determine compliance and to impose and collect penalties and enforce these provisions. This provision will increase administrative expenses for the agencies; however, the impact is not expected to be significant.

*Impact Relative to Deductions and Credits.* As a result of the proposal, the state could experience an increase in the number of homeowners who apply for and receive property tax deductions and the homestead credit. However since these homeowners are entitled to these deductions and credits under the current statute, there would be no new shift or liability created from any additional taxpayers being informed and claiming these benefits.

(Revised) *Required Information on Property Tax Bills.* The DLGF must provide an explanation of certain property tax information and appeal procedures to each county treasurer so that the county treasurer can forward the information to taxpayers. (See *Explanation of Local Expenditures*.) This provision should have no fiscal impact on the DLGF.

The Treasurer of State, on warrant of the Auditor of State, must pay costs that a county incurs for computer programming or printing costs directly related to mailing the required information if the county submits a statement of the costs to the DLGF for reimbursement from the state. State reimbursement of expenditures must not exceed a statewide total of $50,000.

**Explanation of State Revenues:** A closing agent is subject to a civil penalty of $25 for each instance in which the closing agent fails to comply with the requirement to provide information on property tax deductions and homestead credits. The number of times a closing agent will fail to offer the required assistance is indeterminable. Penalties would be deposited into the Property Tax Replacement Fund.

**Explanation of Local Expenditures:** *(Revised) Required Information on Property Tax Bills.* Five counties designated by the DLGF must provide the following tax information for taxes first due and payable after December 31, 2004, and before January 1, 2007. All counties must provide the information for taxes first due and payable after December 31, 2006.

Regardless of whether a county treasurer transmits a statement of current and delinquent taxes and special assessments to a person liable for property taxes or to a mortgagee, the county treasurer must mail certain information about property taxes to each taxpayer. The county treasurer, county auditor, and county assessor shall cooperate to generate the information to be included on the form. (SEA 1-2004 required counties to mail a paragraph to taxpayers containing information about the reassessment and increases in PTRC.) Under the proposal, the information must include a breakdown of the total property tax and special assessment liability and the percentage and percentage change of the taxpayer's liability that will be distributed to each taxing unit in the county; a comparison showing any change in assessed valuation from the previous year; a comparison showing any change in the property tax and special assessment liability from the previous year; the change in the amount of property taxes and special assessments imposed by each taxing unit; an explanation of and filing deadlines for the homestead credit and all property tax deductions; and the procedure that a taxpayer must follow to appeal an assessment or petition for the correction of an error. The DLGF must provide to the county an explanation to be sent to taxpayers about credits, deductions, filing deadlines, appeal procedures, and petitions for correction of errors. County assessors, county auditors, and county treasurers must make the form available to the general public.

Counties send an estimated 3.0 M to 3.4 M tax statements annually. Some counties may be able to include the additional information on tax statements that are currently mailed. Some counties may be able to include an additional sheet of information with the current tax bill. Many counties may already be sending tax information to both the mortgage company and the taxpayer. However, because an estimated 50% of statements are sent only to mortgage companies, an unknown number of counties may incur additional costs associated with an additional mailing in cases where the tax statement is currently sent only to the mortgage company.

The legislative body of a county not designated for participation in the pilot program may adopt an ordinance to implement the program. The legislative body must submit a copy of the ordinance to the DLGF, which must monitor the county's implementation as if the county were a participant in the pilot program.

The impact of this proposal is indeterminable, will vary by county, and will depend on current local practices. However, most counties are likely to incur additional printing costs and/or costs associated with computer programming changes. Some counties may also incur additional costs associated with postage. Counties that incur printing or computer programming costs directly related to mailing the required information must submit an itemized statement of the costs to the DLGF in order to obtain reimbursement for costs from the state. County claims must be paid by the Treasurer of State on warrant of the Auditor of State.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Local Government Finance, Treasurer of State, Auditor of State, Department of Financial Institutions, and any other state agencies involved in regulating an entity that provides financing or refinancing services.

**Local Agencies Affected:** Taxing units in counties providing local homestead credits.

**Information Sources:** 2002 and 2003 County Auditors' Abstracts; County property tax parcel record data; Census Bureau; Local Government Database; Nancy Stassen, Director, Operations Division, DLGF; Dave Bottorff, Legislative Director, Association of Indiana Counties, 317-684-3710; Legislative Council Resolution 03-02.

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